

FY 1999-2000 Budget Detail for

EDUCATION

Community Colleges
Education
Higher Education
School Aid / K-12

COMMUNITY COLLEGES

PUBLIC ACT 109 OF 1999

Fiscal Analyst: Caven West

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	n/a	n/a	n/a	n/a
GROSS	\$282,000,000	\$297,228,019	\$15,228,019	5.4
IDG/IDT	0	0	0	n/a
ADJUSTED GROSS	\$282,000,000	\$297,228,019	\$15,228,019	5.4
FEDERAL	0	0	0	0.0
LOCAL	0	0	0	0.0
PRIVATE	0	0	0	0.0
OTHER	0	0	0	0.0
GF/GP	\$282,000,000	\$297,228,019	\$15,228,019	5.4

HB 4298

Referred to Appropriations
2/23/99

Passed House
3/18/99

Passed Senate
5/27/99

Conference Approved
by House
6/9/99

Conference Approved
by Senate
6/10/99

Effective
7/8/99

OVERVIEW - COMMUNITY COLLEGES

The Fiscal Year (FY) 1999-2000 budget calls for a \$15.2 million (Gross) or 5.4% increase over FY 1998-99 appropriations to support the At-risk Student Success Program, the Renaissance Zone Tax Reimbursement Program, and Base Operational Costs.

When compared to FY 1998-99 operational funding, Michigan's 28 community colleges will receive an estimated \$15.4 million or 5.55% in discretionary revenues. Operational increase ranges from more than 5% down to 2.55%. Of the 5.55% operational increase, 2.55% is distributed across-the-board and the additional 3% is allocated via the Gast-Mathieu Fairness in Funding Formula.

The FY 1999-2000 budget retains current-year funding level for the At-risk Student Success Program. The allocation for each college varied from FY 1998-99 due to the number of at-risk students served. The distribution of the at-risk funds is based on the number of student contact hours generated in developmental and preparatory courses. Each college will receive a base grant of \$40,000 (\$1,120,000) and the remainder of the funds (\$2,464,566) is distributed using a three-year average of the number of student contact hours for a total of \$3,584,566.

The legislature ties appropriations to tuition and fee increases. Under the Tuition Restraint Incentive Grant Program, colleges are rewarded for holding tuition and fee increases at or below 3% for the 1999-2000 academic school year. The Legislature rolled the funding for this program into the operational line; and includes new language which would reduce a college's FY 2000-01 appropriations by 1.5% if it raised tuition and fees above 3%.

For the FY 1998-99 school year, 23 of the 28 community colleges qualified under the Tuition Tax Credit Plan (M.C.L. 206.274(8)). The current act provides residents with a gross income of \$200,000 or less with a tuition tax credit of \$375 for tuition and fees paid to colleges and universities that held tuition and fee rate increases at or below 3%.

The Legislature also reduced the Renaissance Zone Tax Reimbursement categorical grant by \$184,542 (GF/GP) to more accurately reflect reimbursement levels for the last two fiscal years. Renaissance Zone development reduces a college's property tax base against which community colleges levy operational millage. Grant awards under the Renaissance Zone Tax Reimbursement Program are calculated by assessing the taxable value of ad valorem homestead and non-homestead properties located within the confines of the developments. The total taxable value is adjusted for other tax exemptions, then the adjusted taxable value is multiplied by a college's millage rate to determine the reimbursement amount.

Finally, students attending community colleges are eligible for up to \$2,500 in scholarships from the Michigan Merit Award Trust Fund. High school students must attain proficiency ratings on the reading, writing, mathematics, and science components of the Michigan Educational Assessment High School Test Program. The funding source for this program is the tobacco lawsuit settlement revenue. The funding for the Michigan Merit Awards Program is allocated in the higher education budget.

Operational Funding

<u>College</u>	FY 1999-2000 Operations <u>Appropriations</u>
ALPENA	\$4,888,284
BAY DE NOC	\$4,632,634
DELTA	\$13,833,091
GLEN OAKS	\$2,202,658
GOGEBIC	\$4,133,732
GRAND RAPIDS	\$17,825,016
HENRY FORD	\$20,840,833
JACKSON	\$11,976,753
KALAMAZOO VALLEY	\$11,379,143
KELLOGG	\$9,107,407
KIRTLAND	\$2,921,692
LAKE MICHIGAN	\$4,891,111
LANSING	\$29,830,816
MACOMB	\$32,525,228
MID-MICHIGAN	\$4,121,108
MONROE	\$4,008,744
MONTCALM	\$3,035,945
MOTT	\$15,239,321
MUSKEGON	\$8,672,227
NORTH CENTRAL	\$2,925,285
NORTHWESTERN	\$8,641,489
OAKLAND	\$20,747,107
ST. CLAIR	\$6,804,650
SCHOOLCRAFT	\$11,786,439
SOUTHWESTERN	\$6,028,283
WASHTENAW	\$11,563,090
WAYNE COUNTY	\$16,476,511
WEST SHORE	<u>\$2,236,399</u>
Total	\$293,274,995

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
1. Base Operational Increase - 5.55% The Legislature increases operational funding by 5.55% over current year: 2.55% is distributed across-the-board and 3% by the Gast-Mathieu Fairness in Funding Formula.	FTEs	0.0
	Gross	\$15,412,561
	GF/GP	\$15,412,561
2. At-risk Student Success Program The Legislature retains current-year funding of \$3.5 million for the At-risk Student Success Program. Allocation for each college varied due to the number of At-risk students reported by the colleges to the Department of Education.	FTEs	0.0
	Gross	\$0
	GF/GP	\$0
3. Tuition Restraint Incentive Grant The Legislature rolled the funding for this program into the operations line. New language is included to reduce FY 2000-01 appropriations by 1.5%, if a college increased tuition and fees above 3%.	FTEs	0.0
	Gross	(\$4,200,000)
	GF/GP	(\$4,200,000)
4. Renaissance Zone Tax Reimbursement Grant The Legislature reduced this line by \$184,542 (GF/GP) to align appropriation and reimbursement amounts for the last two fiscal years. This program reimburses community colleges that incurred property tax revenue loss in 1999 due to Renaissance Zone tax abatement.	FTEs	0.0
	Gross	(\$184,542)
	GF/GP	(\$184,542)

ECONOMICS: FY 1999-2000

None

MAJOR BOILERPLATE CHANGES: FY 1999-2000

- 1. Sec. 218. Co-terminus Task Force Report**
The Budget includes new language stating legislative intent to review and analyze the findings of the Co-terminus Task Force.
- 2. Sec. 231. Tuition Restraint Incentive Program**
The Legislature includes language which would reduce a college's FY 2000-01 appropriation by 1.5%, if a college increased tuition and fees above 3%.
- 3. Sec. 232. MI Virtual Learning Collaborative Pilot Program**
The Legislature exempt tuition and fees collected under the pilot program from the 3% tuition and fee requirement.

VETOES: FY 1999-2000

None

Community Colleges

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

The FY 1998-99 supplemental budget (1999 PA 69) earmarks \$5.6 million in one-time discretionary funds to support infrastructure, technology, equipment, and special maintenance needs for the colleges.	FTEs	0.0
	Gross	\$5,600,000
	GF/GP	\$5,600,000

EDUCATION

PUBLIC ACT 113 OF 1999

Fiscal Analyst: Caven West

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATION	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	548.6	548.6	0.0	0.0
GROSS	\$885,517,200	\$1,001,506,100	\$115,988,900	13.1
IDG/IDT	1,373,000	1,084,700	(288,300)	(21.0)
ADJUSTED GROSS	\$884,144,200	\$1,000,421,400	\$116,277,200	13.2
FEDERAL	815,385,900	928,508,200	113,122,300	13.9
LOCAL	6,119,600	6,244,300	124,700	2.0
PRIVATE	2,788,200	587,300	(2,200,900)	(78.9)
OTHER	13,456,700	27,264,600	13,807,900	102.6
GF/GP	\$46,393,800	\$37,817,000	(\$8,576,800)	(18.5)

HB 4301

Referred to Appropriations
2/23/99

Passed House
3/23/99

Passed Senate
5/27/99

Conference Approved
by House
6/10/99

Conference Approved
by Senate
6/10/99

Effective
7/12/99

OVERVIEW - EDUCATION

The State Board of Education exercises authority over all public education, including adult education and instructional programs in state institutions, except for institutions of higher education granting baccalaureate degrees. The State Board also advises the Legislature on the financial requirements for higher education and K-12 institutions.

The Michigan Department of Education is the administrative arm of the State Board of Education. The Department has many oversight responsibilities and duties in connection with local school districts and community colleges and indirect coordinating duties with state colleges and universities. The Department distributes state and federal grant funds to local school districts.

For Fiscal Year (FY) 1999-2000, the Legislature appropriates approximately \$1 billion, or just over \$116 million (Adjusted Gross) over FY 1998-99 year-to-date figures, to support the Department of Education. Approximately 93% of the budget consists of federal revenues. The additional 7% is derived from restricted revenue, GF/GP revenue, private revenue, and local revenue. These funds are awarded to local school districts and local educational agencies on a competitive or formula basis.

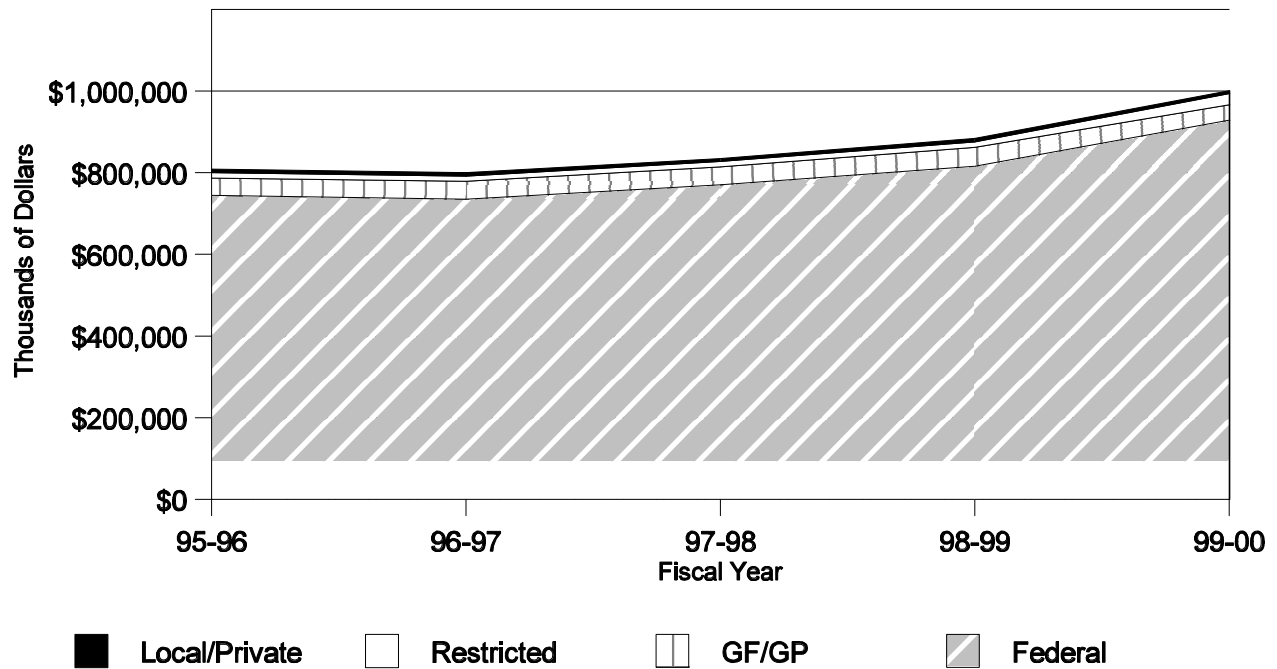
The approximately \$116 million increase is attributable to several new federal grant programs: \$34 million for the Reading Excellence Act program and the Reading Plan for Michigan program, \$3 million for teacher development, \$2 million to encourage students to stay in school (Gear-Up program), \$200,000 and 2.0 FTEs funded from the Drug-Free Schools grant line to establish the Office for Safe Schools, and \$50 million to recruit and hire teachers in grades 1 through 3. The formulas for distributing the funds to local school districts are as follows: 80% is based on child poverty data and 20% is calculated on pupil enrollment. The rationale behind this method is that high-poverty areas often have limited resources, high teacher turnover, fewer well-trained teachers, and a greater need for school improvement. The estimated number of teachers to be hired in Michigan is 1,293, at an estimated cost of \$40,000 per teacher.

In addition, the Legislature shifts the revenue source for the Michigan Educational High School Test program from GF/GP revenue (\$7,388,400) to restricted revenue from the Michigan Merit Award Trust Fund at \$13 million. This represents a 76% or \$6 million increase over FY 1998-99 appropriations. Of the \$6 million increase, \$3.7 million is earmarked for hand-scoring the writing section, \$802,300 for contract administration, \$1.3 million to align the mathematics, science, and English courses with State Board of Education approved curriculum standards.

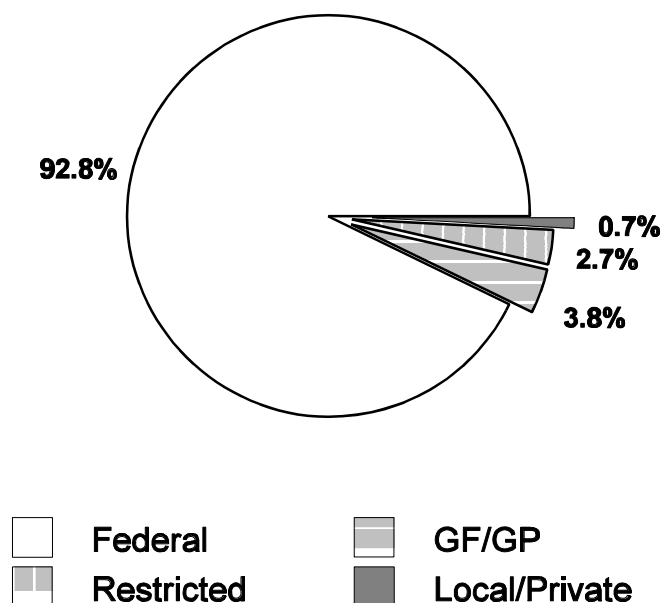
The budget also includes \$750,000 in GF/GP revenue for Michigan Educational Information Network; and \$12,500 (federal) and \$12,500 GF/GP revenue for administrative costs associated with the Emergency Food Assistance Program. This program provides food to needy families throughout the state.

Charts following this Overview highlight a five-year trend of federal, GF/GP and restricted year-to-date appropriations and depict the Department of Education's FY 1999-2000 Adjusted Gross appropriation by funding source.

Michigan Department of Education Five-Year Appropriation Trend



Michigan Department of Education FY 1999-2000 Adjusted Gross Revenue Sources



MAJOR BUDGET CHANGES: FY 1999-2000

Budget IssueChange from FY 1998-99**1. Grants and Distributions: Class Size Reduction Grants**

For FY 1999-2000, the state anticipates receipt of more than \$50 million in new federal funds to reduce class sizes. Public Act 69 of 1999 authorizes the Department to award \$10 million of the \$50 million to local school districts in FY 1998-99.

FTEs	0.0
Gross	\$50,275,700
Federal	50,275,700
GF/GP	\$0

2. Grants and Distributions: Reading Excellence Act Grants

The goal of this program is to teach every child to read by the end of the third grade. The Reading Excellence Act support four primary activities: professional development for teachers, tutoring for students, family literacy, and additional support programs for students having difficulty making the transition from kindergarten to first grade — especially students with reading deficiencies.

FTEs	0.0
Gross	\$29,000,000
Federal	29,000,000
GF/GP	\$0

**3. Innovation and Community Services:
Office for Safe Schools**

The Legislature allocates \$200,000 (federal) and 2.0 FTEs to establish the Office for Safe Schools within the Innovation and Community Services appropriation unit. This Office will be a statewide clearinghouse for school violence information. The unit will also develop model programs and policies to promote school safety.

FTEs	2.0
Gross	\$200,000
Federal	\$200,000
GF/GP	\$0

**4. Funding Shift: Michigan Educational Assessment
High School Test Program**

The Legislature shifts the revenue source for the Michigan Educational Assessment High School Test Program from GF/GP revenue to restricted revenue from the tobacco lawsuit. This line supports operational costs to print, score, and distribute the tests to local school districts.

FTEs	0.0
Gross	\$13,000,000
Restricted	13,000,000
GF/GP	(\$7,388,400)

**5. Professional Preparation Services:
Teacher Quality Improvement**

These grants will be awarded on a competitive basis to implement Statewide reforms which would improve the quality of the teaching force. These reforms may include efforts to strengthen teacher certification standards; to establish or strengthen alternative teaching methods; or to recruit teachers for high-poverty urban and rural areas. This program will be funded for up to three fiscal years.

FTEs	0.0
Gross	\$2,500,000
Federal	2,500,000
GF/GP	\$0

**6. Standards, Assessment, and Accreditation Services:
Teacher Preparation Study**

The Legislature added \$237,500 (GF/GP) to conduct a teacher preparation study. This study would poll new teachers regarding the quality of education received prior to teaching.

FTEs	0.0
Gross	\$237,500
GF/GP	\$237,500

7. Grant to Focus: Hope for the Machinist Training Program

The Legislature transferred \$300,000 (GF/GP) of the proposed \$981,000 (GF/GP) to the Department of Career Development.

FTEs	0.0
Gross	(\$981,000)
GF/GP	(\$981,000)

MAJOR BUDGET CHANGES: FY 1999-2000

<u>Budget Issue</u>	<u>Change from FY 1998-99</u>	
8. MI School for the Deaf and Blind: Technical Resource Center	FTEs	0.0
	Gross	\$1,100,000
This program provides assistive devices to local school districts for disabled students. Both large print and Braille books for visually impaired students are made available to local school districts at no cost.	Federal	1,100,000
	GF/GP	\$0
9. School Support Services: The Emergency Food Assistance Program	FTEs	0.0
	Gross	\$25,000
The Legislature increased this line by \$25,000: \$12,500 federal and \$12,500 (GF/GP) to offset administrative cost for the Emergency Food Assistance Program. This program provides food to needy families throughout the state.	Federal	12,500
	GF/GP	\$12,500
10. Innovation and Community Services: Adult Basic Education Program	FTEs	11.0
	Gross	\$1,165,700
The Legislature transferred nearly \$1.2 million and 11.0 FTEs for the Adult Basic Education Program from the Career, Curriculum, Adult, and Postsecondary Services appropriations unit to the Innovation and Community Services unit.	Federal	1,025,700
	GF/GP	\$140,000

ECONOMICS: FY 1999-2000

None

MAJOR BOILERPLATE CHANGES: FY 1999-2000**1. Sec. 217. Office for Safe Schools**

The Legislature includes new language and funding to establish the Office for Safe Schools within the Innovation and Community Services appropriation unit.

2. Sec. 221. Single Records Student Database

The Legislature deletes language requiring the Department to consult with the Attorney General's Office regarding information collected for the single records student database.

3. Sec. 222. Retention of Teacher Personnel Records

The Legislature adds new language requiring school districts to retain teacher personnel records related to sexual misconduct.

4. Sec. 503. and Sec. 504. Supplemental Funds: MI Educational Assessment High School Test Program

These sections provide a mechanism to appropriate GF/GP revenue for the MEAP, if revenue from the tobacco lawsuit settlement is untimely.

Education

VETOES: FY 1999-2000

None

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

Reading Plan for MI and Class Size Reduction Grants	FTEs	0.0
Public Act 69 of 1999 appropriates \$13.5 million for the following	Gross	\$13,500,000
programs: \$3.5 million to purchase additional reading kits and \$10	Federal	10,000,000
million for class size reduction grants.	Private	1,750,000
	GF/GP	\$1,750,000

HIGHER EDUCATION

PUBLIC ACT 93 OF 1999

Analyst: Hank Prince

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	1.0	1.0	0.0	0.0
GROSS	\$1,604,252,000	\$1,774,759,308	\$170,507,308	10.6
IDG/IDT	0	0	0	0.0
ADJUSTED GROSS	\$1,604,252,000	\$1,774,759,308	\$170,507,308	10.6
FEDERAL	3,752,000	3,900,000	148,000	3.9
LOCAL	0	0	0	0.0
PRIVATE	0	0	0	0.0
OTHER	0	91,550,000	91,550,000	n/a
GF/GP	\$1,600,500,000	\$1,679,309,308	\$78,809,308	4.9

HB 4302

Referred to Appropriations
2/23/99

Passed House
3/25/99

Passed Senate
5/27/99

Conference Approved
by House
6/9/99

Conference Approved
by Senate
6/10/99

Effective
6/30/99

OVERVIEW - HIGHER EDUCATION

The Executive Budget for higher education proposed four new initiatives: (a) creation of four tiers of state universities to begin allocation of funds on a formula basis; (b) application of an instructional-cost formula to allocate \$14.5 million to seven state universities in the four "tiers" that the formula identified as underfunded; (c) tuition restraint incentive grants to state and independent colleges and universities that hold tuition increases to no more than 3%; and (d) Michigan Merit Awards to high school students who pass the renamed high school proficiency test.

Before consideration of the contingent tuition restraint grants, the proposed increases in state university operating appropriations ranged from 1.5% to 6.6%, depending on the institution's prior-year funding per fiscal-year equated students (FYES). For each state university that qualifies for a tuition restraint grant, the Executive Budget recommends a FY1999-2000 funding increase of an additional 1.5% of its prior-year base appropriations.

The total appropriation in the Governor's budget would be at least \$1.672 billion. For every proposed Michigan Merit Award made, the appropriation total would increase by \$1,500 (the limit for first-year awards).

In House Bill 4302, the Legislature approved a funding plan that provided a 10.4% increase in overall funding (4.7% General Fund increase); \$86 million of the \$167 million increase is attributable to the Michigan Merit Award program, which was slightly modified from the Executive proposal. Rather than adopting the concept of four "tiers" of state universities, the enacted version identifies five "groupings." The appropriation increases for the state universities reflect, to an unspecified extent, these groupings. The average base increase for university operations was 5.4%, with a range of 3.3% to 8.6%.

Also, the Legislature included intent language related to tuition restraint. If a state university raises its 1999-2000 resident undergraduate tuition and fee rate by more than 3%, the legislature recommends that its 1999-2000 base for calculating 2000-2001 appropriations be reduced by 1.5% of that base. A similar provision applies to financial aid allocated to independent colleges and universities.

As a portion of this legislation, for FY1998-1999 the Legislature adopted a \$300,000 supplemental to support infrastructure, technology, equipment, and maintenance needs at Northern Michigan University; the Governor vetoed this provision.

MAJOR BUDGET CHANGES: FY 1999-2000

Budget Issue**Change from FY 1998-99****1. University Operations Base Funding**

The Executive Budget proposes to allocate some funds to reduce the funding disparity per resident Fiscal-Year-Equated Students among state universities in four "tiers" of institutions. The tiers of institutions were created by calculating projected institutional instructional cost per student credit hour. Seven state universities would be recipients of "new money" allocated according to this formula.

FTEs	0.0
Gross	\$73,827,341
GF/GP	\$73,827,341

The Governor also recommended that each university receive a base increase of 1.5% in state funding support for FY 1999-2000. (As a point of reference, the January Consensus Revenue Conference projected a 2.5% increase in the Detroit Consumer Price Index for FY 1999-2000).

The Legislature did not align the state universities into four "tiers;" instead, it divided the institutions into five "groupings." It also did not use the formula proposed by the Governor to determine the operational allocations. Rather, appropriation increases reflected university groupings and other programmatic adjustments.

2. Michigan Merit Awards

The Executive Budget included a proposal to issue Michigan Merit Awards as \$2,500 postsecondary education scholarships for use within Michigan to outstanding high school students. The recipients would need to achieve a level 1 or level 2 score on each of the reading, mathematics, science, and writing portions of the high school competency test, or an outstanding composite qualifying score on the American College Test (ACT). Of the scholarship amount, \$1,500 may be used in the first year of postsecondary education.

FTEs	0.0
Gross	\$86,300,000
GF/GP	\$0
Restricted	\$86,300,000

The funding source is the proposed Michigan Merit Award Trust Fund, to be established to receive Michigan's portion of the tobacco lawsuit settlement.

The Legislature appropriated \$86.3 million to fund this new program and added some reporting provisions in this amendatory act. The details of the Merit Award program are contained in a separate statute.

**3. Agriculture Experiment Station (AES)
Cooperative Extension Service (CES)**

These two statewide programs are operated by Michigan State University. FY 1998-99 funding for the AES is \$30.3 million and the CES is \$26 million. The Governor proposed a 2.5% increase in each. The Legislature approved increases of 4.6% and 4.1%, respectively. The difference was attributable to extra funding for a Michigan-Latvian economic development project; this provision was vetoed by the Governor.

FTEs	0.0
Gross	\$2,287,958
GF/GP	\$2,287,958

MAJOR BUDGET CHANGES: FY 1999-2000**Budget Issue****Change from FY 1998-99****4. Tuition Incentive Program (TIP)**

This program provides an incentive of college education funding for Medicaid-eligible students who complete high school. In FY1998-99, \$1.75 million in General Funds (GF) along with carryover funds from the prior fiscal year were used for this program. The Governor recommended elimination of all GF funding and instead proposed to allocate \$5.25 million in proposed Michigan Merit Award Trust Fund monies (received from the national tobacco settlement) to support this program. The Legislature concurred with the Governor's proposal.

FTEs	0.0
Gross	\$3,500,000
GF/GP	(\$5,250,000)
Restricted	\$5,250,000

5. State Student Financial Aid Programs and State Support for Independent Colleges

For FY 1998-99, the state appropriated \$115.7 million in General Funds for student financial aid programs and support for independent colleges and universities. The Governor recommended a 2.5% increase in the General Fund portion of these programs.

FTEs	0.0
Gross	\$5,443,596
Federal	\$148,000
GF/GP	\$5,295,596

The Executive Budget also included \$1.6 million for Tuition Restraint incentive grants for independent colleges, contingent on repeal of the tuition tax credit. Institutions would be required to hold tuition increases to 3% or less. The eligibility requirement matches that for the state universities. These grants would be allocated through the general degree reimbursement program.

The Legislature approved a 3.3% increase in state support for financial aid and added language regarding reallocation of a portion of general degree reimbursement funding if 1999-2000 independent college or university resident tuition increases exceeded 3%.

6. Higher Education Database

In the current budget, \$165,000 is allocated for the Higher Education Institutional Data Inventory (HEIDI). The Governor proposed an increase of \$110,000 to permit integration of additional institutional data collected by the federal government and to develop Internet access for data submission and retrieval. The Legislature concurred.

FTEs	0.0
Gross	\$110,000
GF/GP	\$110,000

7. King-Chavez-Parks Initiative

The Executive Budget recommended a 2.5% increase in funding for the four programs aimed at increasing the college graduation rates of underrepresented minority students.

FTEs	0.0
Gross	(\$76,756)
GF/GP	(\$76,756)

The Legislature transferred the Visiting Professors component to each state university's base funding and provided a 3.3% increase for the other three programs.

MAJOR BUDGET CHANGES: FY 1999-2000**Budget Issue****Change from FY 1998-99****8. Michigan Molecular Institute**

The Executive Budget did not recommend an increase in funding for the Michigan Molecular Institute. The Michigan Molecular Institute is a private nonprofit research organization located in Midland, Michigan, which conducts research in complex polymers and has cooperative ties with some of the state's public universities. Since FY 1984-85, the state has provided more than \$9.2 million in funding support for the institute.

FTEs	0.0
Gross	\$152,310
GF/GP	\$152,310

The Legislature added \$152,310 in funding for this program.

9. Center for Advanced Technologies-Engineering Program

The Executive Budget recommended a 2.5% increase in funding for the Center for Advanced Technologies-Engineering Program conducted by Focus:HOPE. The Legislature transferred funding for this program to the Department of Career Development.

FTEs	0.0
Gross	(\$4,092,000)
GF/GP	(\$4,092,000)

ECONOMICS: FY 1999-2000

None

MAJOR BOILERPLATE CHANGES: FY 1999-2000**1. Tuition Restraint Intent Language**

The Executive recommendation proposed tuition restraint incentive grants that would be contingent on repeal of the Michigan college tuition and fees tax credit. Each state university that met the criterion of a tuition/fee increase for resident undergraduates of no more than 3% would receive a funding increase of 1.5% of base funding.

The Legislature included intent language that indicated, for the FY2000-2001 appropriations calculations, the 1999-2000 budget base would be adjusted downward by 1.5% for each state university which raised 1999-2000 resident undergraduate tuition and fee rates by more than 3%.

2. "Groupings" of Public Universities

The Executive recommendation proposed four "tiers" of universities, with separate funding floors. The Department of Management and Budget derived the tiers from projected system-wide average expenditures for each instructional program for each student level.

The Legislature approved language reflecting five "groupings" of state universities, with separate funding floors.

3. Michigan Merit Award Program

The legislature included reporting requirements for the Michigan Merit Award Commission until such time as a permanent statute creating the Commission is enacted.

Higher Education

MAJOR BOILERPLATE CHANGES: FY 1999-2000

4. Provision of Charter School Oversight Information

A provision authorizing the state budget director to withhold funds from a state university that does not provide relevant information to the state Auditor General during an audit of charter school authorizing activities of the state university has been deleted.

5. Provision of Academic Programs Outside a Region

A new provision requires a report from the Presidents Council of State Universities concerning guidelines for offering academic programs outside a state university's immediate region.

6. Crime Awareness and Campus Security Information

Language has been inserted to require each state university to provide crime awareness information to the Michigan Department of Education and to also post such information on its Internet web site.

VETOES: FY 1999-2000

Michigan-Latvian Economic Development Project

The Legislature allocated \$150,000 for a Michigan-Latvian project to be conducted by the Agricultural Experiment Station statewide program based at Michigan State University.

FTEs	0.0
Gross	\$150,000
GF/GP	\$150,000

REVENUE INCREASES: FY 1999-2000

None

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99

1. Senate Bill 68 Supplemental

The Legislature approved a \$3 million supplemental for the operational funding of a diabetes center at Wayne State University. For comparison purposes, this amount is not included in the Higher Education summary figures but is instead displayed in the Capital Outlay section of this budget analysis. This supplemental was vetoed by the Governor.

FTEs	0.0
Gross	\$3,000,000
GF/GP	\$3,000,000

2. House Bill 4302 Supplemental

The Legislature approved a \$300,000 supplemental for Northern Michigan University for infrastructure, technology, equipment, and maintenance (ITEM) improvements. For comparison purposes, this amount is not included in the Higher Education summary figures but is shown instead in the Capital Outlay section of this budget analysis. This supplemental was vetoed by the Governor.

FTEs	0.0
Gross	\$300,000
GF/GP	\$300,000

SCHOOL AID/K-12

PUBLIC ACT 119 OF 1999

Analysts: Mary Ann Cleary and Laurie Cummings

	FY 1998-99 YEAR-TO-DATE APPROPRIATIONS	FY 1999-2000 ENACTED APPROPRIATIONS	FY 1999-2000 ENACTED CHANGE FROM FY 1998-99	
			AMOUNT	PERCENT
FTE POSITIONS	0.0	0.0	\$0.00	0.0
GROSS	\$9,667,206,600	\$10,160,831,200	\$493,624,600	5.1
IDG/IDT	0	0	0	0.0
ADJUSTED GROSS	\$9,667,206,600	\$10,160,831,200	\$493,624,600	5.1
FEDERAL	120,000,000	120,000,000	0	0.0
LOCAL	0	0	0	0.0
PRIVATE	0	0	0	0.0
OTHER	9,126,593,100	9,620,217,700	493,624,600	5.4
GF/GP	\$420,613,500	\$420,613,500	\$0	0.0

HB 4498

Referred to Appropriations
4/20/99

Passed House
6/2/99

Passed Senate
6/10/99

Concur with Senate
Amendments
6/10/99

Concur with House
Amendments
6/16/99

Effective
7/20/99

OVERVIEW - SCHOOL AID/K-12

The Legislature enacted and the Governor signed 1999 PA 119, which made supplemental appropriations to the previously enacted budget for FY 1998-99 and FY 1999-2000 for K-12 education. It also appropriated the FY 2000-01 budget. The supplemental was enacted because (a) pupil estimates have been raised since FY 1998-99 and FY 1999-2000 budgets were first enacted, and (2) revisions to the personal property tax depreciation tables created the need for additional funding. The personal property tax tables were revised due to a Michigan Tax Tribunal ruling. Because of this revision, businesses will be able to depreciate the value of their property at an accelerated rate, and local schools will receive less property tax revenue, requiring the state to make up the difference.

Public Act 119 allocates \$9.7 billion in FY 1998-99 School funding, an additional \$52.1 million or 0.5% over the previously enacted FY 1998-99 amount. Most of this increase will cover the cost of higher pupil counts and the state cost of the personal property tax depreciation table revisions. Also, \$13.2 million of the \$52.1 million was added to enable the state to meet its obligation to pay 6.0127% of the cost of school lunch programs, as required under the *Durant v. State of Michigan* decision.

For FY 1999-2000, PA 119 allocates \$10.2 billion for schools, an additional \$226.9 million or 2.3% over the previously-enacted amount. The foundation allowance for FY 1999-2000 was raised to \$5,696 per pupil from \$5,652, the amount in the previously-enacted budget. This is an increase of \$234 or 4.3% over FY 1998-99. The foundation increase brings 86% of the state's districts up to the basic foundation allowance. About half of the increase will cover the cost of higher pupil estimates and the personal property tax table revisions. Also included is a one-time grant of \$15 million for Detroit Public Schools to improve student performance. The supplemental changed the pupil membership definition upon which schools are paid to 75% of the current September pupil count plus 25% of the prior February pupil count (from 60% of the current pupil count plus 40% of the prior pupil count).

The supplemental includes the state's first FY 2000-01 School Aid budget, appropriating \$10.6 billion to schools. It sets the foundation allowance at \$5,866, which is \$170 or 2.9% higher than in FY 1999-2000. FY 2000-01 marks the first year since voter adoption of Proposal A in 1994 that all districts will receive at least the basic foundation allowance.

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99**Budget Issue****Change from Current Law****1. Foundation Allowance**

The FY 1998-1999 supplemental includes an additional \$37.6 million for higher pupil estimates and \$26.1 million for increased state costs from the revisions to the personal property tax depreciation tables.

FTEs	0.0
Gross	\$63,727,100
GF/GP	\$0

2. Special Education State Appropriation

The supplemental reduced the FY 1998-99 appropriation for special education by \$25.1 million to reflect updated special education costs. No programmatic changes were made.

FTEs	0.0
Gross	(\$25,089,200)
GF/GP	\$0

SUPPLEMENTAL APPROPRIATIONS: FY 1998-99**3. School Lunch Program**

The budget includes \$13.2 million to meet the funding percentages for the school lunch program mandated in the *Durant v. State of Michigan* case. The appropriation is to pay for \$6.5 million of FY 1997-98 school lunch costs and \$6.7 million of FY 1997-98 costs and will be allocated according to methods adopted by the Supreme Court in the *Durant* case.

FTEs	0.0
Gross	\$13,227,500
GF/GP	\$0

SUPPLEMENTAL APPROPRIATIONS: FY 1999-2000**Budget Issue****Change from Current Law****1. Foundation Allowance**

The FY 1999-2000 executive budget increases the foundation allowance to \$5,696 from the previously-enacted amount of \$5,652, an increase of \$234 or 4.3% per pupil. It also includes an additional \$79 million for higher pupil estimates and \$38.3 million for increased state costs from the revised personal property tax depreciation tables.

FTEs	0.0
Gross	\$201,946,600
GF/GP	\$0

2. Special Education State Appropriation

The supplemental reduced the FY 1999-2000 appropriation for special education by \$30.0 million to reflect updated special education costs. No programmatic changes were made.

FTEs	0.0
Gross	(\$28,957,000)
GF/GP	\$0

3. One-time Grant for Detroit Public Schools

The supplemental added a \$15.0 million one-time grant for the Detroit school district for measures to improve student performance. Public Act 119 does not specify what these measures should be, but indicates that they may include enhanced school security or reading readiness programs.

FTEs	0.0
Gross	\$15,000,000
GF/GP	\$0

4. School Lunch Program

The budget includes \$7.0 million to meet the funding percentages for the school lunch program mandated in the *Durant v. State of Michigan* case.

FTEs	0.0
Gross	\$6,963,000
GF/GP	\$0

5. Millage Rollback Adjustment

Public Act 119 contains \$5.0 million for school districts that levied at least 35 school operating mills in 1993 and received more than \$3.5 million in revenue from enhancement millages in 1996-97. (Vetoed)

FTEs	0.0
Gross	\$5,000,000
GF/GP	\$0

6. Pilot Reading Improvement Programs

The FY 1999-2000 supplemental added \$5.0 million for competitive grants to be awarded to school districts for providing pilot reading improvement programs for pupils in grades K to 3.

FTEs	0.0
Gross	\$5,000,000
GF/GP	\$0

School Aid

ECONOMICS AND RETIREMENT: FY 1999-2000

Retirement

For FY 1999-2000, the annual percentage rate of payroll contribution was increased from 11.12% to 11.66% for the Public School Employment Retirement System.

MAJOR BOILERPLATE CHANGES: FY 1999-2000

1. Pupil Membership Definition

In FY 1999-2000 the pupil membership definition changes from 60% of the current September pupil count plus 40% of the prior February supplemental pupil count to 75% of the current pupil count plus 25% of the supplemental pupil count.

2. Days of Instruction

Public Act 119 requires each school district and public school academy to provide a minimum of 180 days of instruction each year. Retained the requirement to provide an increasing number of instruction hours each year until FY 2007-08.

3. Schools of Choice

The enacted legislation allows schools of choice beyond intermediate school district (ISD) lines for school districts with shared boundaries.

VETOES: FY 1999-2000

Millage Rollback Adjustment

The Governor vetoed this section which appropriated \$5.0 million for school districts that levied at least 35 school operating mills in 1993 and received more than \$3.5 million in revenue from enhancement millages in 1996-97.

REVENUE INCREASES: FY 1999-2000

None

APPROPRIATIONS: FY 2000-01

Budget Issue

Change from FY 1999-2000

FY 2000-01 Appropriations

Public Act 119 sets the basic foundation allowance at \$5,866, which is a \$170 or 2.9% increase over FY 1999-2000 and which brings all districts up to at least the basic foundation allowance. The budget also increases at-risk funding by \$7.9 million, adds \$56.7 million for special education, and increases ISD operational funding by \$2.4 million. Most other appropriation items remain at FY 2000-01 levels.

FTEs	0.0
Gross	\$438,543,400
GF/GP	\$0